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Thoughts on “Dead Aid” by Dambisa Moyo

Moyo, a Zambian-born, well-educated economist, shares her ideas on why the aid model of development has continuously failed for Africa and why an aid-free solution is the only solution. The aid that she discusses in her book, is not emergency or charity aid, but rather systemic aid, which she defines as money transferred between governments or from one institution such as the World Bank to a government.

In regards to aid to Africa, she makes a peculiar point as she concludes that despite one trillion dollars of aid given to African governments, the continent continues on a downward economic decline. She attributes this to the African governments’ understanding of loans and grants. Moyo says rich countries provide aid in the form of loans to Africa and Africa being unable to pay these loans, quickly becomes indebted. The recipient country views the loans as money that is constantly given and forgiven, and that is when the definitions of loan and grant begin to coalesce, the distinction between a loan and a grant begins to dissolve, and the poverty and problems in Africa continue to persist. She demonstrates through solid examples the problem of aid-dependency in Africa and how it has stifled the growth of African countries. Her views are in agreement with economists such as William Easterly and Peter Bauer.

An interesting example of how foreign aid fails is when aid causes “bottlenecks.” Moyo discusses that poor countries are actually often unable to use the foreign aid given to them by rich countries because there may not be “enough skilled manpower, or there are not enough sizeable investment opportunities” to put the aid money to work (Moyo, 64). So, if this aid money cannot be used, it is often either left their (with the recipient country still having to pay interest on it) or it is used (causing higher inflation). Moyo highlights this clear lose-lose situation with foreign aid.

What Moyo proposes is a radical school of thought that many do not agree with. She thinks that first aid-dependent countries should “wean off their addiction” completely and secondly, they should use trade, investments, and the free-market to boost their economies instead of accepting foreign aid. Her ideas on implementing such a new, radical plan include using FDI (foreign direct investment) to boost economic growth. But she forewarns that “simply boosting investment is not the key to economic growth” but “only when capital is allocated to its most productive uses” (Moyo, 113). I found the idea of FDIs to be interesting because an FDI is basically when a foreign country, such as China, invests in a business enterprise in another country, such as Africa because Africa has the resources China to continue its success and in return, Africa gets capital, is able to employ its people, and slowly grow economically.

To conclude, Moyo’s book illustrates all the problems with foreign aid given to Africa and proposes all the right solutions to help Africa out of its poverty and economic decline without foreign aid. Moyo draws from so many different statistics, the studies of several economists, her own understanding of economics (PhD in economics from Oxford), and her own experiences growing up in Zambia to solidify her argument.